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# KEDI ECONOMIC SURVEY

April 1, 1987

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SOURCES:

U.S.Department of Commerce third estimates of 1986:4, National Income and Product data, March 20, 1987.

Board of Governors of the Federal Reserve System release of the Index of Industrial Production, March 1987.

The latest available data on prices, employment, industrial and financial developments.

# 0.00 INTRODUCTION

## 0.01 EXECUTIVE SUMMARY

### HIGHLIGHTS

#### Real Growth

Factory orders are up in March and unemployment is down. Recent data confirm that the economy is on good track.

#### Prices

Consumer inflation measured by CPI will remain moderate. Do not expect any significant increases of prices of imported goods.

#### Employment & Labor

The unemployment rate dropped another .1% in March to 6.6% from 6.7% in February. Look for positive developments in months ahead.

#### Housing

The outlook remains bright through the first half of this year with a slowing down trend in the second half.

#### Automobiles

Weak spring selling season is expected since the effect of incentives is reaching the point of diminishing returns.

#### Budgets

The Federal Deficit can only be reduced by cutting spending and not by raising taxes.

#### Income

Personal Disposable Income, and Compensation of Employees point to regular, non-inflationary growth this year and next.

#### Money & Credit

Forecast data show a slowing down of consumer installment credit, mortgages, and commercial and industrial loans.

#### Interest Rates, Yields & Securities Prices

KEDI does not anticipate more signitigant declines in the international value of the dollar in W. Europe or Japan.

## O.02 ASSUMPTIONS

| | Last Update |
|---|---|
| 1. In 1987, the weighted price of oil will increase as compared to 1986. It will continue increasing in the 1988-1990 period. | April 1986 |
| 2. A longer-lasting relaxation in monetary and credit policies that started in the second quarter of 1986, will continue in to 1987. Some tightening is not expected earlier than in 1988. | October 1986 |
| 3. In 1987 and 1988 good crops in all main producing countries are anticipated. | September 1986 |
| 4. Foreign trade with China will expand in 1987 and following years. | May 1986 |
| 5. Average rates of growth in 1985-1990 in major industrial countries are anticipated: West Germany 3.4%; Italy 2.4%; Great Britain 2.6%; France 2.8%; Japan 3.3%; Canada 3.0%. | August 1986 |
| 6. No drastic changes in international relationships are anticipated. | Permanent Assumption |

## O.03 FORECAST HIGHLIGHTS

* Table O.00 on page 3 shows forecast data of selected indicators of the April 1987 KEDI forecast.
* In 1987 moderate growth is expected. It will accelerate in 1988.
* The upward trend will continue throughout 1989-1990.
* Forecast data for 1987-1990 do not point to recession or major downturn.
* In 1987 interest rates will further decline and will remain at low levels throughout the year. Some slight increases are anticipated in 1988.
* Federal budget deficits will keep declining in 1987 and the following fiscal years.
* The 1987 export-import gap will start closing to a more acceptable level.

TABLE 0.00

KEDI FORECAST HIGHLIGHTS

Data for 1986, 1987 and 1988 are on pages indicated below.

| Indicator | Unit | 1985 | 1989 | 1990 | 1991 |
|---|---|---|---|---|---|
| Gross national | bil. 82$ | 3585.2 | 4000.6 | 4096.6 | 4203.1 |
| product, p. 5 | % change | 2.5 | 3.1 | 2.4 | 2.6 |
| Index of indust. | 1977=100 | 123.8 | 138.3 | 142.7 | 147.5 |
| prod., p. 5 | % change | 1.0 | 3.3 | 3.2 | 3.4 |
| Capacity | % | 80.4 | 81.0 | 80.2 | 79.4 |
| utiliz., p. 5 | % change | -1.0 | .1 | -1.0 | -.9 |
| Unemployment | % | 7.2 | 6.5 | 6.5 | 6.4 |
| rate, p. 5 | % change | -3.1 | -1.2 | 1.1 | -.9 |
| Private housing | mil.units | 1.7 | 1.9 | 1.8 | 1.9 |
| starts, p. 5 | % change | 4.9 | 4.0 | -2.4 | 3.5 |
| Car sales, | mil.units | 11.0 | 11.2 | 11.1 | 11.6 |
| p. 5 | % change | 3.2 | 2.7 | -.9 | 4.0 |
| Implicit GNP | 1982=100 | 111.5 | 126.6 | 131.2 | 136.4 |
| price def.,p.11 | % change | 2.6 | 3.3 | 3.6 | 4.0 |
| Consumer Price | 1967=100 | 322.2 | 359.0 | 370.4 | 383.8 |
| Index, p. 11 | % change | 1.9 | 3.4 | 3.2 | 3.6 |
| Prod.Price Index | 1967=100 | 293.7 | 329.0 | 343.8 | 355.5 |
| (fin.goods),p.11 | % change | -1.6 | 4.1 | 4.5 | 3.4 |
| Federal Deficit | bil. $ | -200.1 | -130.9 | -104.8 | -69.0 |
| p. 21 | % change | 15.1 | -15.4 | -19.9 | -34.2 |
| Personal Income | bil. $ | 3314.5 | 4198.3 | 4483.8 | 4820.0 |
| p. 23 | % change | 5.1 | 6.9 | 6.8 | 7.5 |
| Prime Rate | % | 9.4 | 8.2 | 8.9 | 9.7 |
| p. 27 | % change | -11.6 | 6.2 | 9.1 | 8.6 |
| Mortgage Rate | % | 11.1 | 9.2 | 9.0 | 9.2 |
| p. 27 | % change | -11.7 | 3.5 | -2.1 | 2.0 |
| Currency+demand | bil. $ | 593.6 | 849.4 | 907.1 | 966.1 |
| deposits , p. 25 | % change | 13.4 | 7.5 | 6.8 | 6.5 |
| Commercial+ind. | bil. $ | 493.9 | 582.4 | 599.3 | 611.9 |
| loans, p. 25 | % change | 5.3 | 3.1 | 2.9 | 2.1 |
| Raw steel | mil.sh.tons | 88.1 | 89.3 | 90.8 | 91.3 |
| production | % change | -4.8 | .3 | .9 | .4 |
| Electric power | mil.kw-hr | 2576 | 3215 | 3330.7 | 3487.3 |
| production | % change | 6.5 | 3.9 | 3.6 | 4.7 |
| Bituminous coal | mil.sh.tons | 873 | 930 | 973.3 | 984.1 |
| production | % change | -.1 | 1.4 | 1.3 | 1.5 |
| Crude oil | avg. daily bbl. | 3279 | 2325 | 2371.7 | 2423.9 |
| output | % change | .9 | 1.9 | 2.0 | 2.2 |
| Retail sales | bil. $ | 1377.7 | 1768.9 | 1876.8 | 2008.2 |
| p. 7 | % change | 6.2 | 6.3 | 6.1 | 7.0 |

Numbers in "% change" rows show percent changes over the previous year.

1.10 REAL GROWTH

See Table 1.11
Page 5

1987
FORECAST
DATA

Percent Change
from
March 1987
Forecast

| | |
|---|---|
| + 4.38% | Private Housing Starts |
| + .08% | Index Indus. Prod. |
| 0.00% | Autos |
| 0.00% | Capacity Util. |
| - .03% | GNP |
| - 1.23% | Unemployment |

FACTORY ORDERS ARE UP IN MARCH AND UNEMPLOYMENT IS DOWN.

Recent data confirm that the economy is on good track, and point to good prospects for the future:

* March new orders up:
  February 186.6
  March 194.6

* Impact of lower value of the dollar against some currencies is starting to benefit industries, mainly: paper, chemicals, forest products, drugs, cosmetics, computers, non-electrical machinery.

* Data on Index of Purchasing Managers for March 53.9%. Above 50% is an indication of an expanding economy.

* Index of Leading Indicators:
  February + .7%
  March + .3%

* Recent US Dept of Commerce Survey on business capital spending reveals that businesses are revising their plans upward. In the last survey: + .8% capital spending in 1987 over 1986. This recent survey calls for +1.8% in 1987 over 1986.

* March unemployment rate was down to 6.6% from February' 6.7%.

TABLE 1.11
SELECTED INDICATORS I.
Quarterly data are seasonally adjusted at annual rates.

| INDICATOR | GNP | Index of ind. prod** | Unem-ploy ment | Capacity util'n rate** | Private housing starts | Auto sales |
|---|---|---|---|---|---|---|
| Unit | $82 bil. | 1977=100 | % | % | mil. | mil. |
| Year & Qtr. | | | | | | |
| 1985* | 3585.2 | 123.8 | 7.21 | 80.4 | 1.742 | 11.0 |
| 1986:1* | 3655.9 | 125.0 | 7.06 | 80.0 | 1.990 | 10.7 |
| 2* | 3661.4 | 124.4 | 7.16 | 79.6 | 1.905 | 10.7 |
| 3* | 3686.4 | 125.0 | 6.90 | 79.7 | 1.744 | 13.2 |
| 4* | 3696.1 | 125.9 | 6.83 | 79.6 | 1.672 | 10.8 |
| YEAR | 3674.9 | 125.1 | 6.99 | 79.6 | 1.828 | 11.3 |
| % change from '85 | 2.5 | 1.0 | -3.1 | -1.0 | 4.9 | 3.2 |
| 1987:1 | 3724.0 | 127.0 | 6.67 | 79.7 | 1.829 | 10.2 |
| 2 | 3755.0 | 127.5 | 6.65 | 79.8 | 1.802 | 10.4 |
| 3 | 3786.2 | 128.7 | 6.63 | 79.7 | 1.792 | 11.0 |
| 4 | 3824.5 | 131.6 | 6.60 | 80.0 | 1.675 | 10.0 |
| YEAR | 3772.4 | 128.7 | 6.64 | 79.8 | 1.774 | 10.4 |
| % change from '86 | 2.7 | 2.9 | -5.0 | .3 | -2.9 | -8.4 |
| 1988:1 | 3737.4 | 132.0 | 6.58 | 80.2 | 1.611 | 10.3 |
| 2 | 3862.6 | 133.1 | 6.57 | 80.4 | 1.794 | 10.8 |
| 3 | 3894.5 | 134.4 | 6.53 | 81.3 | 1.937 | 11.5 |
| 4 | 4026.8 | 135.9 | 6.50 | 81.7 | 1.823 | 11.2 |
| YEAR | 3880.3 | 133.8 | 6.54 | 80.9 | 1.791 | 10.9 |
| % change from '87 | 2.9 | 4.0 | -1.4 | 1.4 | .9 | 5.3 |

*Historical data.
**New, revised series

## 1.12 CONSUMER SPENDING AND RETAIL SALES

See Table 1.12 - page 7

1987 FORECAST DATA

Percent Change from March 1987 Forecast

| | | |
|---|---|---|
| + | .15% | Retail Sales Nondurable |
| + | .04% | Pers. Con. Exp. Nondurable |
| - | .01% | Retail Sales Total |
| - | .09% | Pers. Con. Exp. Durable |
| - | .29% | Retail Sales Durable |
| - | .31% | Pers. Con. Exp. Services |

TOTAL RETAIL SALES FOR 1987 WILL SLOW DOWN SOMEWHAT COMPARED TO 1986, DUE TO EXPECTED DECLINE IN CAR SALES.

Data on retail sales for March are lackluster--probably cause by the fact that Easter is late this year. There is absolutely no indication of consumer fatigue or that retail sales are heading for rough times.

* Nondurables sales will increase significantly and outweigh the decline in car sales.

* Expect good increases in all categories of nondurables.

* In 1988 car sales will be back on track and lead, again, the volume of retail sales.

TABLE 1.12

CONSUMER SPENDING AND RETAIL SALES

Quarterly data are seasonally adjusted at annual rates.

| | *--Personal Cons. Expend.-** | | | ------Retail Sales-------* | | |
|---|---|---|---|---|---|---|
| INDICATOR | Durables | Nondur-ables | Services | Total | Durables | Nondur-ables |
| Unit | bil.$ | bil.$ | bil.$ | bil.$ | bil.$ | bil.$ |
| Year & Qtr. | | | | | | |
| 1985* | 359.3 | 905.1 | 1336.1 | 1377.7 | 511.6 | 866.2 |
| 1986:1* | 360.8 | 929.7 | 1415.5 | 1410.8 | 526.4 | 884.4 |
| 2* | 373.9 | 928.4 | 1428.1 | 1445.6 | 532.1 | 913.5 |
| 3* | 414.5 | 932.8 | 1452.4 | 1470.2 | 559.4 | 910.8 |
| 4* | 403.1 | 940.1 | 1477.2 | 1496.9 | 560.3 | 935.5 |
| YEAR | 388.1 | 932.8 | 1443.3 | 1455.9 | 544.5 | 911.0 |
| % change from '85 | 8.0 | 3.1 | 8.0 | 5.7 | 6.4 | 5.2 |
| 1987:1 | 402.1 | 946.1 | 1512.9 | 1504.8 | 554.9 | 949.9 |
| 2 | 404.1 | 956.4 | 1536.0 | 1454.7 | 560.3 | 894.4 |
| 3 | 410.3 | 970.4 | 1556.4 | 1580.1 | 579.7 | 1000.4 |
| 4 | 413.6 | 984.5 | 1597.6 | 1609.2 | 590.0 | 1019.2 |
| YEAR | 407.5 | 964.4 | 1550.8 | 1537.2 | 571.2 | 966.0 |
| % change from '86 | 5.0 | 3.4 | 7.4 | 5.6 | 4.9 | 6.0 |
| 1988:1 | 416.7 | 1005.3 | 1492.4 | 1656.0 | 609.4 | 1046.6 |
| 2 | 422.3 | 1011.6 | 1652.5 | 1640.2 | 618.0 | 1022.2 |
| 3 | 445.1 | 1026.7 | 1650.0 | 1666.4 | 627.9 | 1038.5 |
| 4 | 460.3 | 1044.8 | 1810.8 | 1693.8 | 635.0 | 1058.8 |
| YEAR | 436.1 | 1022.1 | 1651.4 | 1664.1 | 622.6 | 1041.5 |
| % change from '87 | 7.0 | 6.0 | 6.5 | 8.3 | 9.0 | 7.8 |

1.13 REAL GNP

See Table 1.13
Page 9

1987
FORECAST
DATA

Percent Change
from
March 1987
Forecast

| | |
|---|---|
| + 1.33% | Federal Govt. Purch. |
| + .62% | Net Exports |
| - .03% | GNP |
| - .05% | Pers. Cons. Expend. |
| - .16% | State Local Purch. |
| - .55% | Gross Private Dom. Inv. |

LATEST REVISED FIGURES FOR 1986:4: NET EXPORTS BROUGHT DOWN TO 148 BIL.$ FROM 161.0. THIS IS A POSITIVE SIGN FOR THE NEGATIVE BALANCE OF TRADE. Other changes in the third revision from the second revision:

* Inventories decline. Non-farm inventories declined by $9.8 bil. This is a good sign. Inventories are very low which means that they will increase in the months ahead. This leads to more factory orders.

* Figures on Federal spending were further reduced.

TABLE 1.13
REAL GNP
Quarterly data are seasonally adjusted at annual rates.

| INDICATOR | *----------Gross National Product---------- | | | | | * |
|---|---|---|---|---|---|---|
| | Total | Pers. cons. expend. | Gross pvt.dom. investm. | Net exports | Fed. govt. purch. | State local purch. |
| Unit | $82 bil. | $82 bil. | $82 bil. | $82 bil. | $82 bil. | $82 bil. |
| Year & Qtr. | | | | | | |
| 1985* | 3585.2 | 2324.5 | 647.7 | -108.2 | 323.6 | 397.6 |
| 1986:1* | 3655.9 | 2372.6 | 684.0 | -125.9 | 320.4 | 404.8 |
| 2* | 3661.3 | 2408.4 | 664.7 | -153.9 | 328.9 | 413.3 |
| 3* | 3686.4 | 2448.0 | 651.3 | -163.3 | 330.9 | 419.5 |
| 4* | 3696.1 | 2445.8 | 629.0 | -148.0 | 348.6 | 420.7 |
| YEAR | 3674.9 | 2418.7 | 657.2 | -147.8 | 332.2 | 414.6 |
| % change from '85 | 2.5 | 4.1 | 1.5 | 36.6 | 2.7 | 4.3 |
| 1987:1 | 3724.0 | 2467.8 | 637.8 | -150.1 | 346.1 | 422.4 |
| 2 | 3755.0 | 2487.6 | 640.2 | -148.6 | 348.3 | 427.5 |
| 3 | 3786.2 | 2492.3 | 653.4 | -142.4 | 350.2 | 432.7 |
| 4 | 3824.5 | 2509.1 | 666.7 | -140.1 | 351.3 | 437.5 |
| YEAR | 3772.4 | 2488.6 | 649.5 | -145.3 | 349.0 | 430.0 |
| % change from '86 | 2.7 | 2.9 | -1.2 | -1.7 | 5.0 | 3.7 |
| 1988:1 | 3737.4 | 2430.0 | 667.2 | -136.4 | 352.6 | 442.2 |
| 2 | 3862.6 | 2525.2 | 670.1 | -132.7 | 355.1 | 444.9 |
| 3 | 3894.5 | 2549.1 | 672.1 | -129.9 | 355.8 | 447.4 |
| 4 | 4026.8 | 2667.6 | 676.8 | -128.3 | 358.1 | 452.6 |
| YEAR | 3880.3 | 2538.5 | 671.5 | -131.8 | 350.1 | 446.8 |
| % change from '87 | 2.9 | 2.0 | 3.4 | -9.3 | .3 | 3.9 |

*Historical data.

1.20 PRICES AND NOMINAL GNP

1.21 PRICES

See Tables 1.21 - page 11

1987
FORECAST
DATA

Percent Change
from
March 1987
Forecast

| | | |
|---|---|---|
| + | .17% | Pers. Cons. Expend. |
| + | .04% | GNP |
| + | .04% | Consumer Price Index |
| - | .04% | Federal Govt. Purch. |
| - | .04% | State Local Purch. |
| - | .21% | Producer Price Index |

CONSUMER INFLATION MEASURED BY CPI WILL REMAIN MODERATE. DO NOT EXPECT ANY SIGNIFICANT INCREASES OF PRICES OF IMPORTED CONSUMER GOODS.

* The rate of exchange for the dollar declined significantly only against West European currencies and Japan. Prices of goods imported from other countries need not rise.

* Exporters from countries where the dollar has declined are not increasing and will not increase their prices in the same proportion to the decline of the dollar. They are paying the price for preserving the U.S. markets.

* The same two reasons hold up for Producer Prices. Do not expect sharp increases in prices of imported commodities.

TABLE 1.21
PRICES
Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

| INDICATOR | *---Indexes--* Cons. price index n.s.a.** | Prod. price index n.s.a.** | *-------Price deflators--------* Gross Nat'l Prod. | Pers. cons. expend. | Fed. govt. purch. | State local purch. |
|---|---|---|---|---|---|---|
| Unit | 1967=100 | 1967=100 | 1982=100 | 1982=100 | 1982=100 | 1982=100 |
| Year & Qtr. | | | | | | |
| 1985* | 322.2 | 293.7 | 111.5 | 111.5 | 109.4 | 116.0 |
| 1986:1* | 327.3 | 290.8 | 113.5 | 113.5 | 111.0 | 118.8 |
| 2* | 326.5 | 288.5 | 114.0 | 114.1 | 111.8 | 119.4 |
| 3* | 328.9 | 287.9 | 115.0 | 115.1 | 111.6 | 120.3 |
| 4* | 330.9 | 288.4 | 115.2 | 115.3 | 106.7 | 122.0 |
| YEAR | 328.4 | 288.9 | 114.4 | 114.2 | 110.3 | 120.1 |
| % change from '85 | 1.9 | -1.6 | 2.6 | 2.4 | .8 | 3.6 |
| 1987:1 | 333.2 | 291.9 | 116.4 | 115.9 | 112.8 | 122.3 |
| 2 | 335.6 | 296.5 | 117.3 | 116.4 | 114.0 | 124.4 |
| 3 | 337.7 | 301.8 | 118.2 | 117.8 | 115.2 | 125.5 |
| 4 | 340.4 | 305.7 | 119.5 | 119.4 | 117.0 | 127.6 |
| YEAR | 336.7 | 299.0 | 117.8 | 117.4 | 114.8 | 125.0 |
| % change from '86 | 2.5 | 3.5 | 3.0 | 2.8 | 4.1 | 4.0 |
| 1988:1 | 343.6 | 317.9 | 120.8 | 119.9 | 118.0 | 128.6 |
| 2 | 347.4 | 311.8 | 122.2 | 122.2 | 119.4 | 130.1 |
| 3 | 347.5 | 316.1 | 122.8 | 122.5 | 120.6 | 132.1 |
| 4 | 350.1 | 318.5 | 124.5 | 124.3 | 122.4 | 133.7 |
| YEAR | 347.1 | 316.1 | 122.6 | 122.2 | 120.1 | 131.1 |
| % change from '87 | 3.1 | 5.7 | 4.0 | 4.1 | 4.7 | 4.9 |

*Historical data.
**CPI: All Urban Consumers; PPI: Finished Goods.

## 1.22 NOMINAL GNP

See Table 1.22 - page 13

1987 FORECAST DATA

Percent Change from March 1987 Forecast

| | |
|---|---|
| + 1.34% | Federal Govt. Purch. |
| + .87% | Net Exports |
| + .05% | GNP |
| - .10% | Gross Private Dom. Inv. |
| - .16% | State Local Purch. |
| - .18% | Pers. Cons. Expend. |

FINAL REVISION OF 1986:4 DATA FOR PERSONAL CONSUMPTION EXPENDITURES HAS BEEN SLIGHTLY INCREASED DUE TO UPWARD REVISION OF THE PERSONAL CONSUMPTION PRICE DEFLATOR.

* Figures for most other components of GNP have been reduced somewhat in line with the downward revision of price deflators

* The foreign trade gap has also been reduced a bit from the previously announced $113.6 bil. down to $110.2 bil. This is still high when compared to the first three quarters of 1986.

* Forecast of Net Exports for 1987 shows only a slight decline--by about $10 bil. Look for a more significant decline in 1988 by about $30 bil. This $30 bil. decline corresponds with the expected decline in Federal budget deficit.

* It is expected that in 1988 the NEED FOR FOREIGN FUNDS for financing the Federal deficit will be substantially lower.

TABLE 1.22
NOMINAL GNP
Quarterly data are seasonally adjusted at annual rates.

| INDICATOR | *----------Gross National Product---------- | | | | | * |
|---|---|---|---|---|---|---|
| | Total | Pers. cons. expend. | Gross pvt. dom invest. | Net exports | Fed. govt. purch. | State local purch. |
| Unit | bil. $ | bil. $ | bil. $ | bil. $ | bil. $ | bil. $ |
| Year & Qtr. | | | | | | |
| 1985* | 3998.1 | 2619.1 | 661.1 | -78.9 | 354.1 | 461.3 |
| 1986:1* | 4156.8 | 2706.0 | 708.3 | -93.7 | 355.6 | 480.5 |
| 2* | 4174.0 | 2730.3 | 687.3 | -104.5 | 367.7 | 493.1 |
| 3* | 4240.7 | 2799.8 | 675.8 | -108.9 | 369.3 | 504.7 |
| 4* | 4258.7 | 2820.4 | 663.2 | -110.2 | 372.1 | 513.2 |
| YEAR | 4205.1 | 2761.4 | 683.6 | -104.3 | 366.2 | 497.9 |
| % change from '85 | 5.2 | 5.4 | 3.4 | 32.2 | 3.4 | 7.9 |
| 1987:1 | 4334.7 | 2861.1 | 678.0 | -111.4 | 390.4 | 516.6 |
| 2 | 4404.6 | 2896.5 | 686.1 | -106.9 | 397.1 | 531.8 |
| 3 | 4475.3 | 2937.1 | 695.0 | -103.3 | 403.4 | 543.0 |
| 4 | 4570.3 | 2995.7 | 702.1 | -96.8 | 411.0 | 558.2 |
| YEAR | 4446.2 | 2922.6 | 690.3 | -104.6 | 400.5 | 537.4 |
| % change from '86 | 5.7 | 5.8 | 1.0 | .3 | 9.4 | 7.9 |
| 1988:1 | 4514.8 | 2914.4 | 708.0 | -92.4 | 416.1 | 568.7 |
| 2 | 4720.1 | 3086.4 | 712.1 | -81.2 | 424.0 | 578.8 |
| 3 | 4782.4 | 3121.8 | 718.6 | -78.1 | 429.1 | 591.0 |
| 4 | 5013.4 | 3315.9 | 724.3 | -70.3 | 438.3 | 605.1 |
| YEAR | 4756.3 | 3109.3 | 715.8 | -80.5 | 426.9 | 585.9 |
| % change from '87 | 7.0 | 6.4 | 3.7 | -23.0 | 6.6 | 9.0 |

*Historical data.

## 1.30 EMPLOYMENT AND LABOR

See Table 1.30 - page 15

1987
FORECAST
DATA

| Percent Change from March 1987 Forecast | |
|---|---|
| + .19% | Non-Agri. |
| + .18% | Total Employed |
| + .10% | Civilian Labor Force |
| 0.00% | Agri-culture |
| - .01% | Popula-tion |
| - 1.23% | Unemploy-ment rate |

THE UMEMPLOYMENT RATE DROPPED ANOTHER .1% IN MARCH TO 6.6% FROM 6.7% IN FEBRUARY. LOOK FOR POSITIVE DEVELOPMENTS IN MONTHS AHEAD.

* 164,000 new jobs were created in March.

* Employment in the mining segment rose by 3,000. This signals the end of the slump in the oil extraction segment.

On the other side, a temporary decline in factory jobs and construction indicates that further declines in the unemployment rate will not be too great. Expect continuous weakness in motor vehicles and related segments.

* The March decline in construction is seen as temporary in light of the new legislation recently passed to pump billions of dollars into highway construction and repairs.

TABLE 1.30
EMPLOYMENT & LABOR
Quarterly data are seasonally adjusted at annual rates.

| INDICATOR | Population | Civil. labor force | Employment: Total | Employment: Agricult. | Employment: Non-agric. | Unemployment rate |
|---|---|---|---|---|---|---|
| Unit | mil. | mil. | mil. | mil. | mil. | % |
| Year & Qtr. | | | | | | |
| 1985* | 241.7 | 115.4 | 107.2 | 3.2 | 103.9 | 7.21 |
| 1986:1* | 244.5 | 117.0 | 108.7 | 3.2 | 105.5 | 7.06 |
| 2* | 245.9 | 117.7 | 109.3 | 3.2 | 106.1 | 7.16 |
| 3* | 247.3 | 118.2 | 110.2 | 3.2 | 104.1 | 6.90 |
| 4* | 249.8 | 118.6 | 110.5 | 3.1 | 107.4 | 6.83 |
| YEAR | 246.9 | 117.9 | 110.0 | 3.2 | 106.9 | 6.99 |
| % change from '85 | 2.1 | 2.1 | 2.0 | -.8 | 2.9 | -3.09 |
| 1987:1 | 250.7 | 119.1 | 111.2 | 3.1 | 108.1 | 6.67 |
| 2 | 252.3 | 120.3 | 112.3 | 3.1 | 109.2 | 6.65 |
| 3 | 254.0 | 121.7 | 113.6 | 3.1 | 110.5 | 6.63 |
| 4 | 256.1 | 122.2 | 114.1 | 3.1 | 111.0 | 6.60 |
| YEAR | 253.3 | 120.8 | 112.8 | 3.1 | 109.7 | 6.64 |
| % change from '86 | 2.6 | 2.5 | 2.6 | -2.4 | 2.7 | -5.01 |
| 1988:1 | 257.5 | 122.6 | 114.5 | 3.1 | 111.4 | 6.58 |
| 2 | 259.6 | 123.6 | 115.5 | 3.0 | 112.5 | 6.57 |
| 3 | 261.4 | 124.8 | 116.7 | 3.0 | 113.7 | 6.53 |
| 4 | 263.5 | 125.9 | 117.7 | 3.0 | 114.7 | 6.50 |
| YEAR | 260.5 | 124.2 | 116.1 | 3.1 | 113.0 | 6.54 |
| % change from '87 | 2.9 | 2.8 | 2.9 | 0.0 | 3.0 | -1.39 |

*Historical data.

## 1.41 HOUSING

See Table 1.41 - Page 17

1987
FORECAST
DATA

Percent Change
from
March 1987
Forecast

| | |
|---|---|
| + 9.08% | 1-Family Unit price New |
| + 7.97% | Single Family Housing Starts |
| + 2.10% | Permits Issued |
| + 1.09% | 1-Family unit price Existing |
| - 3.09% | Multiple Family Housing Starts |
| - .66% | Mobile Home Shipments |

THE OUTLOOK FOR THE HOUSING INDUSTRY REMAINS BRIGHT THROUGH THE FIRST HALF OF THIS YEAR WITH A SLOWING DOWN TREND IN THE SECOND HALF.

* Strong single family starts in the first half of the year.

* Weak apartment starts in the second half.

* Expect a good spring selling season in the South and Northeast only. The Midwest and West will be below average.

The slowdown in the second half of the year in housing starts is indicated by sales data on new houses.

* In January, sales dropped by 8.6%. In February by another 2.7% compared to January and February 1986 figures.

* In January, there were 361,000 unsold new houses which equals 4-6 months supply.

* In February, there were 363,000 unsold new houses which equals 6-8 months supply.

This high oversupply will negatively affect starts in the summer and fall.

TABLE 1.41
HOUSING
Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

| INDICATOR | Single family housing starts | Multi-family housing starts | Mobile home ship-ments | Permits author-ized | 1-Fam. unit price new** | 1-Fam. unit price exist** |
|---|---|---|---|---|---|---|
| Unit | mil. | mil. | mil. | mil. | tho. $ | tho. $ |
| Year & Qtr. | | | | | | |
| 1985* | 1.072 | .669 | .284 | 1.735 | 101.0 | 90.6 |
| 1986:1* | 1.257 | .733 | .258 | 1.839 | 106.3 | 94.4 |
| 2* | 1.242 | .663 | .241 | 1.805 | 111.9 | 100.6 |
| 3* | 1.142 | .602 | .237 | 1.678 | 114.7 | 98.8 |
| 4* | 1.156 | .545 | .243 | 1.696 | 117.4 | 99.0 |
| YEAR | 1.199 | .636 | .245 | 1.754 | 112.6 | 98.2 |
| % change from '85 | 11.9 | -5.0 | -13.8 | 1.1 | 11.5 | 8.4 |
| 1987:1 | 1.296 | .533 | .258 | 1.755 | 120.0 | 99.5 |
| 2 | 1.221 | .581 | .276 | 1.776 | 121.9 | 101.8 |
| 3 | 1.186 | .606 | .267 | 1.657 | 123.6 | 102.6 |
| 4 | 1.108 | .567 | .260 | 1.604 | 125.8 | 105.3 |
| YEAR | 1.203 | .572 | .265 | 1.698 | 122.8 | 102.3 |
| % change from '86 | .3 | -10.1 | 8.4 | -3.2 | 9.1 | 4.2 |
| 1988:1 | 1.037 | .574 | .257 | 1.647 | 127.7 | 107.8 |
| 2 | 1.185 | .609 | .276 | 1.736 | 129.3 | 109.8 |
| 3 | 1.279 | .658 | .294 | 1.842 | 131.5 | 110.4 |
| 4 | 1.197 | .626 | .295 | 1.819 | 133.4 | 114.8 |
| YEAR | 1.175 | .617 | .280 | 1.761 | 130.5 | 110.7 |
| % change from '87 | -2.3 | 7.9 | 5.7 | 3.7 | 6.2 | 8.2 |

*Historical data.
**Average. Not seasonally adjusted.

## 1.42 AUTOMOBILES

See Table 1.42 - page 19

1987
FORECAST
DATA

| Percent Change from March 1987 Forecast | |
|---|---|
| + 2.40% | Domestic Car Sales |
| 0.00% | Shipments |
| 0.00% | Dealer Inventory |
| - .71% | Total Light Truck Sales |
| - .95% | Total Car Sales |
| - 5.65% | Imported Car Sales |

WEAK SPRING SELLING SEASON IS EXPECTED SINCE THE EFFECT OF INCENTIVES ANNOUNCED BY AUTOMAKERS IS REACHING THE POINT OF DIMINISHING RETURNS.

Recent data on sales confirm the trend for this year: domestically producers will built around 7.3 mil. compared to 8.1 mil. units in 1986. Imported cars will increase only slightly above 1986.

March data underline the trend in car sales for the year:

* March sales of domestic cars was 5% below the previous year. At ANNUAL RATES:
  - Early March 6.7 million
  - Mid March 7.2 million
  - Late March 7.5 million

Compared to the 1986 total sales of 8.1 million, imported cars sold:
- January 2.4 million
- February 2.6 million
- March 2.7 million

Compared to 1986:1 figures of 2.8 million units, the strong markets remains for light trucks.

TABLE 1.42
AUTOMOBILES
Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

| INDICATOR | Total car sales | Car sales dom. | Car sales imp. | Dealer car inventory n.s.a. ** | Factory car shipments | Total light truck sales |
|---|---|---|---|---|---|---|
| Unit | mil. | mil. | mil. | mil. | mil. | mil. |
| Year & Qtr. | | | | | | |
| 1985* | 11.0 | 8.2 | 2.8 | 1.3 | 8.4 | 3.7 |
| 1986:1* | 10.7 | 7.9 | 2.8 | 1.9 | 7.7 | 3.4 |
| 2* | 10.7 | 7.7 | 3.0 | 1.8 | 8.3 | 3.5 |
| 3* | 13.2 | 9.7 | 3.5 | 1.3 | 11.0 | 3.6 |
| 4 | 10.8 | 7.2 | 3.0 | 1.4 | 8.7 | 3.3 |
| YEAR | 11.3 | 8.1 | 3.1 | 1.4 | 8.9 | 3.5 |
| % change from '85 | 3.2 | -.9 | 9.8 | 7.7 | 6.3 | -6.8 |
| 1987:1 | 10.2 | 7.6 | 2.6 | 1.7 | 7.9 | 3.3 |
| 2 | 10.4 | 7.7 | 2.7 | 1.8 | 7.6 | 3.5 |
| 3 | 11.0 | 7.8 | 3.2 | 1.7 | 7.9 | 3.6 |
| 4 | 10.0 | 6.8 | 3.2 | 1.7 | 7.8 | 3.5 |
| YEAR | 10.4 | 7.5 | 2.9 | 1.7 | 7.8 | 3.5 |
| % change from '86 | -8.4 | -3.5 | -4.9 | 21.4 | -12.6 | .7 |
| 1988:1 | 10.3 | 7.0 | 3.3 | 1.9 | 7.6 | 3.3 |
| 2 | 10.8 | 7.7 | 3.1 | 1.8 | 7.9 | 3.5 |
| 3 | 11.5 | 8.2 | 3.3 | 1.7 | 8.1 | 3.7 |
| 4 | 11.2 | 7.9 | 3.3 | 1.7 | 8.0 | 3.8 |
| YEAR | 10.9 | 7.7 | 3.2 | 1.7 | 7.9 | 3.6 |
| % change from '87 | 5.3 | -5.8 | 11.1 | 0.0 | 1.3 | 2.9 |

*Historical data.
**End of period data.

1.50 BUDGETS

See Table 1.50 - page 21

1987
FORECAST
DATA

Percent Change
from
March 1987
Forecast

| | |
|---|---|
| + 8.74% | Corp. Profit Tax Accrued |
| + .44% | State Local Corp. Tax Accrued |
| - .02% | State Income Tax |
| - .16% | Federal Income Tax |
| - .50% | Federal Surplus/ Deficit |
| - 5.60% | State Surplus/ Deficit |

THE FEDERAL DEFICIT CAN ONLY BE REDUCED BY CUTTING SPENDING AND NOT BY RAISING TAXES. THE PROPOSED $20 BILLION TAX HIKE WOULD NOT SOLVE ANYTHING AND WOULD INCREASE INFLATIONARY PRESSURES.

Present negotiations in Congress point to the Federal Budget Deficit for FY 1988 of around $130 billion, still above the Gramm-Rudman target of $108 bil. THE ONLY WAY TO GET DOWN TO THE GRAMM-RUDMAN TARGET IS TO MAKE BUDGET CUTS.

There is a close relationship between the Federal deficit and the U.S. deficit in foreign trade. The Federal deficit has to be financed to a significant extent by FOREIGN FUNDS. If not, then too much pressure would be put on domestic financial markets resulting in budget needs soaking up funds necessary to finance domestic capital forrmation. To let foreign capital flow into the U.S., the balance of trade HAS TO BE IN THE RED. Foreiners have large trade surplus capital invested in the U.S. The lower the Federal budget deficit, the smaller need to finance it from foreign funds and the lower need of keeping the balance of trade in the red.

Members of the House and Senate should remember this when pressuring for higher government spending.

TABLE 1.50
FEDERAL, STATE AND LOCAL BUDGETS
Quarterly data are seasonally adjusted at annual rates.

| INDICATOR | *-----FEDERAL----------* Income taxes | Corp. profits tax accru. | Surplus /deficit | *---STATE AND LOCAL----* Income taxes | Corp. profits tax accru. | Surplus /deficit |
|---|---|---|---|---|---|---|
| Unit | bil. $ | bil. $ | bil. $ | bil. $ | bil. $ | bil. $ |
| Year & Qtr. | | | | | | |
| 1985* | 350.8 | 67.7 | -200.1 | 142.0 | 18.1 | 59.2 |
| 1986:1* | 350.3 | 71.2 | -201.6 | 147.2 | 17.5 | 70.0 |
| 2* | 353.1 | 75.2 | -238.1 | 151.7 | 18.1 | 59.0 |
| 3* | 365.8 | 84.3 | -197.4 | 153.1 | 20.1 | 64.0 |
| 4* | 376.1 | 92.7 | -189.2 | 158.9 | 21.9 | 59.4 |
| YEAR | 361.3 | 80.8 | -206.6 | 152.7 | 19.4 | 63.1 |
| % change from '85 | 3.0 | 19.4 | 3.2 | 7.6 | 7.2 | 6.6 |
| 1987:1 | 388.6 | 95.1 | -180.1 | 159.4 | 22.0 | 60.1 |
| 2 | 395.0 | 98.2 | -176.9 | 162.7 | 22.3 | 65.3 |
| 3 | 398.7 | 101.1 | -171.4 | 166.8 | 22.6 | 68.7 |
| 4 | 401.9 | 102.3 | -170.1 | 168.2 | 23.5 | 70.6 |
| YEAR | 396.1 | 99.2 | -174.6 | 164.3 | 22.6 | 66.2 |
| % change from '86 | 9.6 | 22.7 | -15.5 | 7.6 | 16.5 | 4.9 |
| 1988:1 | 408.9 | 103.7 | -165.4 | 170.5 | 24.1 | 72.3 |
| 2 | 415.2 | 105.1 | -160.2 | 172.8 | 25.2 | 73.2 |
| 3 | 419.4 | 107.8 | -152.1 | 175.9 | 25.8 | 75.1 |
| 4 | 425.3 | 109.7 | -141.2 | 178.6 | 26.1 | 77.2 |
| YEAR | 417.2 | 106.6 | -154.7 | 174.4 | 25.3 | 74.5 |
| % change from '87 | 5.3 | 7.5 | -11.4 | 6.2 | 11.9 | 12.5 |

*Historical data.

1.60 INCOME

See Table 1.60 - page 23

1987
FORECAST
DATA

Percent Change
from
March 1987
Forecast

| | | |
|---|---|---|
| + | .82% | Corp. After Tax Profit |
| + | .04% | Average Weekly Earnings |
| - | .01% | Comp. of Employees |
| - | .40% | Personal Income |
| - | .45% | Personal Disp. Income |
| - | .84% | Personal Savings |

DATA ON PERSONAL INCOME, PERSONAL DISPOSABLE INCOME, AND COMPENSATION OF EMPLOYEES POINT TO REGULAR, NON-INFLATIONARY GROWTH THROUGHOUT THIS YEAR AND NEXT.

Forecast of corporate profits has been adjusted slightly upwards mainly due to the March 20 estimates of corporate profits releasted by the U. S. Department of Commerce. These estimates are higher than KEDI anticipated, and show the corporate sector of the economy in better shape than that based on preliminary and incomplete data. In particular, KEDI increased the 1987 and 1988 forecasts of after-tax profits for oil and oil-related industries, lumber and wood products, chemicals, textile, and pharmaceuticals industries, and reduced slightly after-tax profits for auto and related industries.

TABLE 1.60
INCOME
Quarterly data are seasonally adjusted at annual rates.

| INDICATOR | Pers. income | Pers. disp. income | Comp. of empl. | Corp. after tax profits | Pers. saving | Avg. week earn. |
|---|---|---|---|---|---|---|
| Unit | bil. $ | bil. $ | bil. $ | bil. $ | bil. $ | $ |
| Year & Qtr. | | | | | | |
| 1985* | 3314.5 | 2828.0 | 2368.2 | 131.4 | 143.3 | 382.0 |
| 1986:1* | 3444.3 | 2946.8 | 2461.5 | 135.2 | 145.6 | 391.2 |
| 2* | 3489.3 | 2984.5 | 2486.9 | 138.0 | 153.1 | 393.9 |
| 3* | 3498.8 | 2979.9 | 2507.4 | 135.9 | 84.1 | 393.7 |
| 4* | 3527.9 | 2993.0 | 2540.7 | 144.2 | 74.2 | 397.9 |
| YEAR | 3490.1 | 2976.1 | 2499.1 | 138.3 | 114.2 | 394.2 |
| % change from '85 | 5.3 | 5.2 | 5.5 | 5.3 | -20.3 | 3.2 |
| 1987:1 | 3574.8 | 3026.8 | 2570.2 | 146.7 | 86.5 | 400.4 |
| 2 | 3652.6 | 3094.9 | 2613.8 | 149.5 | 94.3 | 402.1 |
| 3 | 3706.4 | 3140.9 | 2668.4 | 156.1 | 99.6 | 409.1 |
| 4 | 3771.5 | 3201.4 | 2726.7 | 161.1 | 108.3 | 411.4 |
| YEAR | 3676.3 | 3116.0 | 2644.8 | 153.3 | 97.2 | 405.7 |
| % change from '86 | 5.3 | 4.7 | 5.8 | 10.9 | -14.9 | 2.9 |
| 1988:1 | 3704.3 | 3124.9 | 2769.1 | 163.6 | 108.7 | 414.4 |
| 2 | 3896.4 | 3308.4 | 2802.0 | 167.1 | 112.1 | 417.3 |
| 3 | 3949.3 | 3354.0 | 2871.2 | 172.4 | 117.6 | 420.2 |
| 4 | 4159.1 | 3555.2 | 2910.3 | 175.9 | 123.1 | 423.7 |
| YEAR | 3927.3 | 3335.6 | 2838.2 | 169.8 | 115.4 | 418.9 |
| % change from '87 | 6.8 | 7.0 | 7.3 | 10.7 | 18.7 | 3.2 |

*Historical data.

## 1.70 MONEY AND CREDIT

See Table 17.0 - page 25

1987
FORECAST
DATA

Percent Change
from
March 1987
Forecast

| | |
|---|---|
| + .48% | Currency & Demand Deposits |
| + .07% | Time Deposits |
| 0.00% | Large Denom. Time . Deposits |
| 0.00% | Mortg. at S & L Assns. |
| 0.00% | Comm. & Indust. Lonas at Banks |
| 0.00% | Consumer Install. Credit |

FORECAST DATA SHOW A SLOWING DOWN OF CONSUMER INSTALLMENT CREDIT, MORTGAGES, COMMERCIAL AND INDUSTRIAL LOANS, AND OTHER CREDIT AGGREGATES.

Forecast of monetary and credit aggregates show a slower but still rapid growth of money supply M1, with regular increments in M2.

Large increases of money supply, M1. will still be necessitated by needs of the stock market, and PRIMARILY, to finance the foreign trade deficit, as well as recycling the funds to finance the Federal budget deficit by foreign investors.

Calculations done by this Institute show that the rate of exchange of the dollar is close to equilibrium--further declines of the dollar with regard to West European currencies and the Japanese yen will discourage foreign investors to invest in U. S. securities, and in addition, will contribute to the increase of inflationary pressures.

TABLE 1.70
MONEY & CREDIT

Data for "Currency and demand deposits, M1", and "Time deposits, adjusted, M2" are averages of daily figures; other data are end of period figures.

| INDICATOR | Currency and demand deposits M1, s.a. | Time deposit adjust. M2,s.a. | Cons. instal. credit n.s.a. ** | Comm.& indus. loans at banks s.a. | Large denom. time dep. s.a. | Mortg. at S & L Assns. n.s.a. |
|---|---|---|---|---|---|---|
| Unit | bil. $ | bil. $ | bil. $ | bil. $ | bil. $ | bil. $ |
| Year & Qtr. | | | | | | |
| 1985* | 593.6 | 2484.0 | 535.1 | 493.9 | 436.5 | 583.2 |
| 1986:1* | 633.9 | 2581.3 | 550.9 | 502.1 | 448.5 | 574.7 |
| 2* | 658.4 | 2646.3 | 567.7 | 508.0 | 447.5 | 565.1 |
| 3* | 685.6 | 2716.1 | 584.3 | 511.4 | 448.5 | 557.1 |
| 4* | 714.7 | 2775.5 | 594.9 | 517.1 | 446.3 | 553.6 |
| YEAR | 673.1 | 2679.8 | 594.9 | 517.1 | 446.3 | 553.6 |
| % change from '85 | 13.4 | 7.9 | 11.2 | 5.3 | 2.2 | -5.1 |
| 1987:1 | 738.5 | 2855.4 | 598.3 | 526.7 | 440.0 | 568.9 |
| 2 | 745.1 | 2911.3 | 608.1 | 534.0 | 438.5 | 573.0 |
| 3 | 754.8 | 2982.8 | 618.1 | 536.8 | 437.2 | 577.0 |
| 4 | 761.2 | 3036.5 | 630.2 | 545.3 | 435.9 | 581.6 |
| YEAR | 749.9 | 2946.5 | 630.2 | 545.3 | 435.9 | 581.6 |
| % change from '86 | 11.4 | 10.0 | 5.9 | 5.5 | -2.3 | 5.1 |
| 1988:1 | 772.6 | 3112.4 | 641.4 | 549.1 | 447.0 | 596.1 |
| 2 | 784.8 | 3167.5 | 652.5 | 553.0 | 449.0 | 605.4 |
| 3 | 794.6 | 6249.8 | 662.4 | 557.7 | 453.0 | 619.3 |
| 4 | 808.5 | 3325.6 | 678.1 | 564.9 | 456.3 | 630.2 |
| YEAR | 790.1 | 3963.8 | 678.1 | 564.9 | 456.3 | 630.2 |
| % change from '87 | 5.4 | 34.5 | 7.6 | 3.6 | 4.7 | 8.4 |

*Historical data. n.s.a: not seasonally adjusted.
s.a.: seasonally adjusted at annual rates. **Before revision.

## 1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

See Table 1.80 - page 27

1987 FORECAST DATA

Percent Change from March 1987 Forecast

| | |
|---|---|
| +11.43% | 20 yr. Govt. Bonds Yield |
| + 2.18% | Prime Rate |
| + 1.95% | Conv. Mortg. Rate |
| + .03% | Treas. Bills 3 mo. Yield |
| + .06% | Aaa Corp. Bond Rate |
| -21.46% | S & P's 500 Avg. |

KEDI DOES NOT ANTICIPATE MORE SIGNIFICANT DECLINES IN THE INTERNATIONAL VALUE OF THE DOLLAR WITH REGARD TO WEST EUROPE AND JAPAN.

* Recent increases in interest rates on long-term government bonds and prime rate by some banks are considered temporary.

* The forecast is for low interest rates throughout this year with some small increases in 1988.

* If the dollar were to fall further against West Europe and Japan, the necessary outcome would be to increase interest rates in order to keep foreign capital flowing into the U.S. economy. That would have disastrous effects on:

1. Domestic economy, mainly on the automobile and housing segments, and on the overall business investment in new plants and equipment.

2. Third World's debt position and growth of its economies.

It is anticipated that the Federal Reserve will not be forced to use this alternative. Recent declines in federal funds rate point in this direction.

TABLE 1.80
INTEREST RATES, YIELDS & SECURITIES PRICES
Quarterly averages of monthly figures.

| INDICATOR | Treas. bills 3 mo. yield | Prime rate | Conv. mortg rate | Aaa corp. bond rate | 20 yr. Govt. bonds yield | S & P's 1941-43 500 Avg |
|---|---|---|---|---|---|---|
| Unit | % | % | % | % | % | % |
| Year & Qtr. | | | | | | |
| 1985* | 7.48 | 9.43 | 11.12 | 11.32 | 10.88 | 186.84 |
| 1986:1* | 7.01 | 9.37 | 10.22 | 9.74 | 9.01 | 221.72 |
| 2* | 6.14 | 8.61 | 9.82 | 9.00 | 7.67 | 242.16 |
| 3* | 5.52 | 7.85 | 9.82 | 8.81 | 7.38 | 241.15 |
| 4* | 5.35 | 7.50 | 9.43 | 8.68 | 7.44 | 243.69 |
| YEAR | 6.00 | 8.33 | 9.82 | 9.06 | 7.88 | 237.18 |
| % change from '85 | -19.7 | -11.6 | -11.7 | -20.0 | -27.6 | 26.9 |
| 1987:1 | 5.30 | 7.50 | 9.15 | 8.42 | 7.28 | 27.35 |
| 2 | 5.28 | 7.59 | 9.14 | 8.38 | 7.63 | 284.16 |
| 3 | 5.20 | 7.70 | 9.98 | 8.24 | 7.51 | 293.14 |
| 4 | 5.27 | 7.62 | 8.92 | 8.26 | 7.22 | 295.72 |
| YEAR | 5.26 | 7.60 | 9.30 | 8.32 | 7.41 | 225.09 |
| % change from '86 | -12.4 | -8.8 | -5.3 | -8.1 | -5.9 | -5.1 |
| 1988:1 | 5.35 | 7.60 | 8.81 | 8.32 | 7.34 | 298.06 |
| 2 | 5.47 | 7.59 | 8.83 | 8.35 | 7.39 | 302.47 |
| 3 | 5.49 | 7.72 | 8.89 | 8.24 | 7.50 | 301.21 |
| 4 | 5.58 | 7.84 | 8.94 | 8.29 | 7.71 | 298.43 |
| YEAR | 5.47 | 7.69 | 8.87 | 8.30 | 7.48 | 300,04 |
| % change from '87 | 4.0 | 1.1 | -4.6 | -.3 | 1.0 | 33.3 |

*Historical data.

## 2.00 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue, comparisons of accuracy of the GNP in current dollars has been selected for comparison. Actual number has been calculated from the 1986:1--1986:3 data on 1986 GNP and the 1986:4 March 20, 1987 U. S. Department of Commerce estimate of GNP. The 1986:1--1986:3 data are in Survey of Current Business, Table 1.1 (U. S. Dept. of Commerce, Washington, D.C., monthly.) Forecast data are in Business Forecasts 1986 (Federal Reserve Bank of Richmond, Richmond, Virginia, February 1986.)

TABLE 2.00

COMPARISONS OF ACCURACY OF PREDICTIONS
1986 GNP in current $ (in bil.$)
Actual figure: 4206.1

| Forecaster (and page in source) | Date of Forecast | Forecast | Accuracy percent difference |
|---|---|---|---|
| First Interstate Economics, p. 42 | 11/18/85 | 4257.7* | +1.2 |
| American Statistical Assn., and National Bureau of Economic Research, p. 44 | 12/85 | 4143.0 | -1.5 |
| Ashland Ohio, p. 44 | 12/85 | 4135.6* | -1.7 |
| Manufacturers Hanover Trust, p. 45 | 12/85 | 4173.4 | - .8 |
| UCLA Business Forecasting Project | 12/85 | 4163.7 | -1.0 |
| The Equitable Life Assurance Society of the U.S., p. 48 | 12/4/85 | 4127.7 | -1.9 |
| The University of Michigan, RSQE, p.49 | 12/12/85 | 4110.5 | -2.3 |
| L.D.Reece, Cities Service Oil and Gas Corp. p. 53 | 1/86 | 4250.1 | +1.0 |
| Wharton Econometric Forecasting Associates, Inc., p. 54 | 1/86 | 4234.9 | + .7 |
| Metropolitan Life Insurance. p. 55 | 1/1/86 | 4242.2 | + .9 |
| Standard & Poor's Corp., p. 58 | 1/16/86 | 4108.9 | -2.3 |
| Armco, Inc., p. 59 | 1/27/86 | 4228.5 | + .5 |
| John J. McAuley, Fordham Univ., p. 62 | 1/24/86 | 4241.0 | + .8 |
| Money Market Services, Inc. p. 64 | 1/27/86 | 4270.0 | +1.5 |
| Chase Econometrics, p. 65 | 1/29/86 | 4226.9 | + .5 |
| Georgia Sate Univ., p. 66 | 2/86 | 4247.6 | +1.0 |
| KEDI, Inc., p. 67 | 2/1/86 | 4269.4 | +1.5 |

*calculated from quarterly values

## 3.00 HISTORICAL DATA SOURCES

For reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the source of historical data. The sources are: **Survey of Current Business** referred to as SCB (monthly, U. S. Department of Commerce, Washington, D.C.), **Federal Reserve Bulletin,** FRB, (Board of Governors of the Federal Reserve System, Washington, D.C. monthly), **Index of Industrial Production,** G.12.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly.)

TABLE 3.00

HISTORICAL DATA SOURCES

| Table Number | Data Series | Source |
|---|---|---|
| 1.11 Selected Indicators of Real Growth I. | Gross national product, 1982 $ | SCB, Table 1.2 |
| | Index of industrial production | IIP, p. 2. |
| | Unemployment rate | SCB, Blue pages |
| | Capacity utilization rate | FRB, Table 2.11 |
| | Private housing starts | SCB, Blue pages |
| | Car sales | SCB, Blue pages |
| 1.12 Selected Indicators of Real Growth II. | Personal Cons. expend: Durables, | SCB, Table 1.1 |
| | Nondurables | SCB, Table 1.1 |
| | Services | SCB, Table 1.1 |
| | Retail sales: Total | SCB, Blue pages |
| | Durables | SCB, Blue pages |
| | Nondurables | SCB, Blue pages |
| 1.12 Real GNP | Gross national product, 1982 $ | SCB, Table 1.2 |
| | Personal consumpt. expenditures | SCB, Table 1.2 |
| | Gross private dom. investment | SCB, Table 1.2 |
| | Net exports | SCB, Table 1.2 |
| | Federal purchases | SCB, Table 1.2 |
| | State and local purchases | SCB, Table 1.2 |
| 1.21 Prices | Consumer price index | SCB, Blue pages |
| | Producer price index | SCB, Blue pages |
| | Implicit price deflators: GNP | SCB, Table 7.1 |
| | Personal consumpt. expenditures | SCB, Table 7.1 |
| | Federal purchases | SCB, Table 7.1 |
| | State and local purchases | SCB, Table 7.1 |
| 1.22 Nominal GNP | Gross national product | SCB, Table 1.1 |
| | Personal consumpt. expenditures | SCB, Table 1.1 |
| | Gross private dom. investment | SCB, Table 1.1 |
| | Net exports | SCB, Table 1.1 |
| | Federal purchases | SCB, Table 1.1 |
| | State and local purchases | SCB, Table 1.1 |

(Table 3.00 continues on the following page.)

TABLE 3.00

HISTORICAL DATA SOURCES (CONTINUED)

| Table Number | Data Series | Source |
|---|---|---|
| 1.30 Employment and Labor | Population | SCB, Blue pages |
| | Civilian labor force | SCB, Blue pages |
| | Employment | SCB, Blue pages |
| | Agriculture | SCB, Blue pages |
| | Non-agriculture | SCB, Blue pages |
| | Unemployment rate | SCB, Blue pages |
| 1.41 Housing | Single-family housing starts | SCB, Blue pages |
| | Multifamily housing starts | SCB, Blue pages |
| | Mobile home shipments | SCB, Blue pages |
| | Permits authorized | SCB, Blue pages |
| | 1-family unit price, new | FRB, Table 2.14 |
| | 1-family unit price, existing | FRB, Table 2.14 |
| 1.42 Autos | Passenger cars: Total sales | SCB, Blue pages |
| | Domestic | SCB, Blue pages |
| | Imported | SCB, Blue pages |
| | Dealers inventories | SCB, Blue pages |
| | Factory shipments | SCB, Blue pages |
| | Light-duty truck sales | SCB, Blue pages |
| 1.50 Federal State & Local Budgets | Federal govt: Income taxes | SCB, Table 3.2 |
| | Corporate profit tax accruals | SCB, Table 3.2 |
| | Surplus/Deficit | SCB, Table 3.2 |
| | State & local govt:Income taxes | SCG, Table 3.3 |
| | Corporate profit tax accruals | SCG, Table 3.3 |
| | Surplus/Deficit | SCB, Table 3.3 |
| 1.60 Income | Personal income | SCB, Table 2.1 |
| | Personal disposable income | SCB, Table 2.1 |
| | Compensation of employees | SCB, Table 1.11 |
| | Corporate after tax profits | SCB, Table 1.11 |
| | Personal saving | SCB, Table 2.1 |
| | Average weekly earnings | SCB, Blue pages |
| 1.70 Money and Credit | Currency and demand deposits, M1 | FRB, Table 1.21 |
| | Time deposits, adjusted, M2 | FRB, Table 1.21 |
| | Consumer installment credit | FRB, Table 1.55 |
| | Commercial and industrial loans | FRB, Table 1.23 |
| | Large denomination time deposits | FRB, Table 1.21 |
| | Mortgages at S&L Associations | FRB, Table 1.54 |
| 1.80 Interest Rates, Yields, & Securities Prices | Treasury bills (3 mo) yield | FRB, Table 1.35 |
| | Prime rate | FRB, Table 1.33 |
| | Conventional mortgage rate | FRB, Table 1.53 |
| | Aaa corporate bonds rate | FRB, Table 1.35 |
| | 20 years government bonds yield | FRB, Table 1.35 |
| | Standard & Poor's 500 average | FRB, Table 1.36 |